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Financial Connection

News You Can Use from the Financial Management Service
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FMS: Where we've been and the journey ahead

By Dick Gregg
FMS Commissioner

I was perusing the biography section at Barnes and Noble recently when I saw a former **Financial Management Service** (FMS) employee, Beverly Eldridge. Beverly retired ten years ago and while she reads our internal newsletter, she says she has a difficult time keeping up with the goings on within FMS. I told her she shouldn't feel too bad; I do, too. As we chatted, I could tell that rather than just making a passing comment, Beverly was very interested in the changes we had made since she left, so I invited her to join me for coffee while I described some of the highlights.

She had spent her last several years with FMS in our Federal Finance area, so she was interested in her old stomping ground. I told her that we had made good progress on moving our payments and collections to electronics, but still had a ways to go.

EFTPS: Zero to trillions in 10 years

In 1995, when Beverly retired, almost all of our tax receipts were coming in through Federal Tax Deposit coupons or lockboxes and payments were made by check. We were drowning in paper! However, help was on the way. In 1996, working with two financial institutions, we developed the Electronic Federal Tax Payment System, or EFTPS. (I ignored Beverly's snide comment that it was too bad the marketing staff was out of the room when the program was named.) EFTPS has benefited FMS, the **Internal Revenue Service** (IRS), and taxpayers by moving us away from checks and paper to electronic payments. I told Beverly that in fiscal year 2004, we collected \$1.6 trillion

through EFTPS or about 80 percent of all tax receipts. In 2001, we allowed taxpayers to make EFTPS payments via the Internet and that has been very popular, with 7.1 million payments received in 2004. I told Beverly that in addition to reducing costs and improving taxpayer convenience, we have made sure the system is secure and reliable.

Beverly asked what was next for EFTPS. I said we want to grow it. We need to get much more of the transaction volume going through the system. Market research shows us that tax preparers and small businesses, working together, are the key to further growth. I also told her we are looking to partner with state governments to test whether individuals can use EFTPS to pay both federal and state taxes, and we plan a limited pilot in

 **Dick Gregg Continued on page 2**



As FMS commissioner, Mr. Gregg is responsible for managing over \$2 trillion a year in collections and disbursements of federal revenues.

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2006. This federal/state partnership has the potential of leveraging the use of EFTPS and adding convenience for taxpayers.

Speaking of taxpayer convenience, I told her that last year, we began an Express Enrollment process that makes it very easy for new businesses to enroll in EFTPS. In 2004, we collected \$3.6 billion from taxpayers taking advantage of the service. For the first six months of 2005, the total collected has more than doubled to \$7.5 billion.

EagleCash stored-value card soars

Beverly said it seemed we were working well with IRS, then asked about another large partner, the **Department of Defense** (DoD). I told her about a few things DoD and FMS had achieved the past six years.

One of the significant financial and management challenges DoD faced for many years was providing currency to support recruits during basic training and providing coin and currency to military personnel deployed overseas in isolated areas. Working together, we tackled the basic training opportunity first and developed a stored-value card (SVC) solution called EZpay. The program replaces cash and checks on military training bases and is now the only way for Army, Air Force and Marine Corps recruits to get their initial pay.

The cards can be used anywhere on base. Everyone was very happy with EZpay except the chaplains, who felt that with no currency on base their contributions would dry up. We needed a solution, and fast. We provided the chaplains with a portable reader. Instead of passing a collection plate, the reader is passed. The chaplains were suddenly very happy because they had a solution and collections actually increased

In 2004, FMS collected \$3.6 billion through the EFTPS Express Enrollment service. For the first six months of 2005, the total was \$7.5 billion.

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since the minimum was set at \$2!

EZpay worked so well that DoD wanted a similar product for troops deployed in isolated areas. DoD was spending huge sums to transport coin and currency overseas and to disburse and control the funds. In addition, the U.S. dollar was becoming widespread and damaging local economies. Together, we developed EagleCash, an enhanced SVC application, and introduced it to support peacekeeping operations in Bosnia and Kosovo.

The metrics for measuring EagleCash's performance were quickly exceeded, and we have continued to expand the use of EagleCash. I told Beverly that most of the places where we are using EagleCash would not be on her list of desirable vacation spots. When we add Saudi Arabia in August, that will bring to nine the number of countries where EagleCash is accepted at military installations. Since the program's inception, we have processed over 3 million transactions worth over \$200 million. I also mentioned that we are now installing self-service kiosks at many remote locations to further improve the service provided to our troops.

In addition, our Navy Cash card reached a milestone in May when it was deployed on its 50th ship. Navy Cash is a card-based cash management system that allows crew members to make small purchases at sea using offline SVC technology and to access cash ashore through online ATM or debit networks.

DoD had another long-standing financial management challenge, and that was the difficulty of collecting checks written by servicemen and civilians at bases overseas. It was taking weeks and sometimes months to transport the checks back to the United States for collection, and many checks were returned for insufficient funds (NSF).

It so happened that FMS had a solution to this problem. We had just developed a system to capture the image of the check, convert the pertinent data to an electronic file, and present it as a debit through the Automated Clearing House (ACH) system. We dubbed this process the paper check conversion or PCC.

It was an immediate success, at least for those responsible for getting the funds collected. We reduced the float to almost nothing and solved the problem with bad checks since we electronically re-presented NSF items on the next payday and we were first in line to get paid! I'm sure the first time that happened that it was a bit of a shock to the soldier. We have continued to expand the PCC and it is now offered in 492 locations and we have collected nearly \$1.6 billion through this new approach.

Making payments the smart way
Beverly also spent many years in Regional Operations (RO) and

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wanted a quick update on payments before she had to leave to meet her grandson for lunch. I told her we had continued to push direct deposit and we now paid 80 percent of our payments electronically. Here, too, we are not satisfied and are pushing to increase direct deposit before the baby boomers arrive. A marketing campaign called Go Direct is getting under way to build awareness and to convert those receiving checks to direct deposit.

I told her we had very ambitious and measurable goals and that we now can monitor the program's cost/benefit ratio. Our new activity-based cost system has shown that it costs 75 cents more to issue a check than to send a direct deposit payment. Beverly said that as a taxpayer, she appreciated our work, and quickly calculated sending checks costs us about \$180 million more per year than making payments electronically.

Beverly also was interested in a new system RO is working on. The Payment Application Modernization (PAM) will get us down to just a few payment applications, reducing costs, complexity and risk. This system will enable us to automate processes that today still are done manually or as exceptions.

Debt collection tops \$24 billion

Beverly asked about the FMS debt collection program, which was just being proposed at the time she retired. I reminded her that the primary reason FMS had been asked to help collect delinquent debt was our ability to compare our payments against the debts and reduce the amount of the payments when we had a match. Since we began the collection program in 1997, we have collected over \$24 billion in debts, much of which would otherwise not have been collected. Besides the federal debts



Mr. Gregg, who became FMS commissioner in 1997, oversees governmentwide program responsibilities for cash management, credit administration, and debt collection.

Card collections rebid notice

The **Financial Management Service (FMS)** is seeking to update the credit and debit card services it provides to federal agencies. FMS requests that all interested financial institutions (FIs) respond with an initial proposal in accordance with the official announcement letter available at www.fms.treas.gov/rebids/cardcollections/index.html.

Specifically, we want to do business with an FI that not only has the expertise in providing superior credit and debit card services, but one that is willing to embrace pricing alternatives and one that will be vigilant in minimizing costs. For detailed response and eligibility requirements, please see the official announcement letter. **Proposals are due by Aug. 1.**

Please e-mail any questions to card.rebid@fms.treas.gov and include your name, organization, phone number and return e-mail address.

that are being collected, our employees feel especially good about their role in collecting over \$12 billion in delinquent child support payments. I told Beverly that the key to the success of debt collection is the great teamwork between Debt Management Services, Regional Operations and federal agencies.

The future: enterprise architecture

Beverly's eyes were glazing over just a bit at this point so I thought I could either order her another double latte or wrap up my musings. I decided Beverly had heard enough for one day, but wanted to let her in on one more important change. I told her that for the past year, FMS has pushed really hard to work under an enterprise architecture approach. Beverly obviously felt that the last thing she wanted was to hear about some complicated IT stuff, so she started to get ready to leave. I told her this wasn't what she thought.

Enterprise architecture is actually an approach to managing an organization that requires setting program direction and then getting all parts of the organization to work together to get there. Instead of eight different FMS stovepipes in developing systems or each office selecting whatever software/hardware it wants or each office independently developing databases, we are now working together for common solutions.

I think this last bit was too much for Beverly. She had a look of total disbelief. "Look, you obviously have some doubt whether we can pull this off," I said. "I am very confident that we will, so I will meet you here in three years to tell you what we've accomplished; only, you buy the coffee next time."

Debt Management Services reaches out to agencies with conference, workshop

By Shirley Williams-Jefferson

Debt Management Services (DMS) prefaced this year's annual debt collection conference, held in Arlington, Va., with a one-day Debt Collection 101 workshop. This shortened version of the workshop provided attendees with information on DMS services such as the Cross-Servicing, Debt Management Accounting and Treasury Offset programs. Ninety-three federal program agency (FPA) representatives attended.

In addition to the workshop, DMS provided half-day overview sessions on the Treasury Report on Receivables (TROR),

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and separate sessions specifically on the TROR, Part II Section D. The FPAs received information on quarterly reporting activity and processes as well as comprehensive TROR instructions and review, including the recently revised Section D.

The conference itself, held May 17-18, attracted approximately 250 participants from most of the federal chief financial officer (CFO) and non-CFO agencies.



About 250 federal agency representatives attended the 2005 debt collection conference.



Treasury Fiscal Assistant Secretary Donald Hammond, DMS Assistant Commissioner Martin Mills, FMS Office of the Chief Counsel Senior Attorney Ronda Kent and Treasury Offset Program Director Dean Balamaci chat during the conference.

Treasury Offset Program (TOP) Director Dean Balamaci gave an overview of the debt collection program. DMS Assistant Commissioner Martin Mills shared additional information about the program's successes, progress and milestones, and discussed the planned implementation of FedDebt, the **Financial Management Service's** (FMS) new debt collection system (see story on page 5).

The keynote speaker, Treasury Fiscal Assistant Secretary Donald Hammond, discussed the successes of several collection tools and processes that were mandated or encouraged by passage of the Debt Collection Improvement Act (DCIA) 10 years ago. Among those he mentioned were offset for child support, tax levy and administrative wage garnishment. He gave tribute to the federal agencies, stating that "the program cannot succeed without the active eager participation of every agency."

DMS's FedDebt director, Paul Crowe, gave attendees an overview of the new system from a broader perspective and

explained its enhancements.

FMS's Office of Chief Counsel (OCC) and a representative of the **Department of Justice's** legal staff updated participants on the Debt Collection Attorneys Forum (headed/chaired by the FMS OCC since October 2004), recent case law highlights and Bankruptcy legislation.

Other topics included TOP updates, the TOP Call Center, FedDebt Cross-Servicing, Private Collection Agencies (PCAs), Document Imaging (IDMS), the implementation of the New Hire Database, AWG, the PCA Dispute Process and Payment Agreements that require agency concurrence.



FedDebt Director Paul Crowe explained upcoming improvements in FedDebt.

New integrated system ahead for FedDebt

By Larry White

With the Integrated FedDebt Project, Debt Management Services (DMS) will gradually incorporate its applications used in delinquent federal debt collection into a state-of-the-art database and system architecture configuration.

The new system will combine the existing databases for Cross-Servicing and the Treasury Offset Program (TOP) into a single data repository and will employ a business-line "datamart" for enterprise-wide management reporting, On-line Analytical Processing (OLAP), trend projections

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and so on support the various DMS business lines.

Originally, FedDebt was intended to replace the current Cross-Servicing application only. Integrated FedDebt also will include TOP, eliminating the need for separate and distinct databases for the two applications and allowing the **Financial Management Service** (FMS) to streamline data, reduce redundancies and improve data integrity.

When fully implemented, the new FedDebt will include Cross-Servicing applications for Case Management, Private Collection Agency (PCA) Management, Payment Collection, Department of Justice (DOJ) Debts, 1099C, and Administrative Wage Garnishment (AWG), as well as existing applications for TOP.

Additional applications will interface with the FedDebt applications in the future.

A new architectural design FMS contracted with an independent third party to study the way it conducts business. This study assessed FMS business line requirements, current IT architecture and planned projects. It was recommended

that FMS develop an enterprise architecture that would:

- accommodate future growth and incorporate Web services and reusable modules,

- support an optimal model to allow FMS to go beyond existing systems' constraints,

- improve opportunities to include greater automation and consolidation,

- improve performance by addressing critical functionality gaps in its systems and decrease costs and increase flexibility by reducing overall system complexity, and

- simplify agency and internal interfaces, application program interfaces, and data.

Advantages

Integrated FedDebt will benefit both DMS and the federal agencies that submit debts for cross-servicing or offset. For FMS as a whole, some of the major benefits will be:

- a state-of-the-art architectural structure that will allow FMS to expand business lines

- reduction in long-term costs related to maintenance and system changes

- reduced data redundancies and improved data integrity by integration of existing databases currently used for debt collection into a single data repository

- use of reusable modules to expedite development of future applications and reduce testing and maintenance costs associated with these applications

Major advantages for agency users will include:

- online capabilities (not currently available for agencies submitting debts for Cross-Servicing)

- a single sign-on interface for users

- a single file format for submitting debts and reporting updates to Cross-Servicing and TOP

- a single file for agencies to receive collection reports

Implementing FedDebt

DMS is developing a bridge that will accommodate existing agency formats to ensure transition to the new application.

Integrated FedDebt will be implemented in phases. Phase I will consist solely of the Cross-Servicing module and is scheduled for implementation in August 2005. Other core functionality for the multilevel project will be implemented in FY 2006, with additional functionality implemented in FY 2007.

For more information, please see www.fms.treas.gov/debt/index.html.

Computer based training for FedDebt users

By Ann Pavelek

The FedDebt Computer Based Training (CBT) will provide users with basic user information about FedDebt.

Users will sign onto a computer and proceed through the training modules. The CBT for external users will be placed on a CD-ROM that can be used later to reference the information as needed.

The CBT leads users through the functionality by showing the different screens and buttons that are utilized. After showing the user the functions, the training then provides a brief quiz as a way to test the user's knowledge and reinforce the concepts that were discussed in that module.

This training will be combined with an overview of the FedDebt Cross-Servicing module and hands-on exercises.

The creditor agency training was conducted in May and June, with internal user training scheduled for May, June and July.

Agencies learn about ASAP.gov updates

By Margie Springer

The June 16 Automated Standard Application for Payments (ASAP.gov) Federal Program Agencies (FPA) Users Group meeting in Baltimore drew more than 60 agency representatives, a record. Agencies represented included the **Departments of State, Interior Energy, Commerce, Agriculture, Health and Human Services, and Defense** (Tri Care).

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ASAP.gov is a Web-based system through which organizations including states, universities, colleges, Indian tribal organizations, for-profits, and nonprofits receive

Federal funds from accounts pre-authorized by FPAs. Calendar year 2004 disbursements totaled \$405 billion. Nineteen FPAs use ASAP.gov, and eight more agencies are expected to begin using the application by the end of 2006.

The meeting's main topics were the upcoming Internet enrollment process for Recipient Organizations (Release 2.0) and Digital Signature require-



Financial Management Service's Carol Cole, Liz Oldenburg and Holly Robedeau listen during the FPA user group meeting.

ment for Certifying Officers. FPA representatives were given a preview of Release 3.0, Internet enrollment for FPAs. The representatives provided good feedback to the development team.

For more information, please contact Christine Ricci, Manager, ASAP.gov customer liaison, at 202/874-6584 or by e-mail: Christine.Ricci@fms.treas.gov.

Billions Served

The **Financial Management Service's** (FMS) Philadelphia Regional Financial Center (PFC) has something in common with that famous fast-food chain that we all know and love. PFC isn't turning out orders of burgers and fries, but soon will have printed over a billion checks since 1997.

Philadelphia took delivery of new check stock back in 1997. Each check on a roll of check stock contains an Inventory Control Number (ICN) that helps the check custodians and balance clerks keep track of and

control the inventory. The ICN of the first

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check on the first shipment was 000,000,001. In September, Philadelphia is expected to print the 1 billionth check. At that time, the number will go back to 000,000,001.

The Philadelphia RFC and FMS's other RFCs continue to produce millions of checks each month. Just like that fast-food chain, FMS can safely change the sign to read billions served!



FMS's Myron Pinkney considers an attendee's question.

Spread the word: US Debit Card is here to stay

By Gregory Gaines

More than 40 agency representatives, a record, registered for the US Debit Card seminar hosted on June 9 by the **Financial Management Service (FMS)** and financial agent JPMorgan Chase. The US Debit Card is a tool for making federal payments to individuals in lieu of cash and checks.

The event provided an opportunity for agencies to learn about the card's features, functions and benefits from FMS EFT Strategy Program Manager Brett Smith (photo on left).

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Several agencies expressed interest in deploying the US Debit Card to eliminate paper and reduce costs.

The seminar afforded the agencies the opportunity to discuss their current and future requirements for the program, which recently was added to the Department of Treasury's cash management portfolio. Financial Program Specialist Gregory Gaines of FMS's Agency Relationship Management (ARM) Division (photo on right) coordinated the event and made the opening

remarks.

For more information about the US Debit Card program, contact Gregory Gaines at gregory.gaines@fms.treas.gov.



UPCOMING EVENTS

For more information about FMS events, please see www.fms.treas.gov/calendar.html.

Aug. 8: Year-End Closing Seminar, Bethesda, Md.

Aug. 9-11: FMS Annual Government Financial Management Conference, Bethesda, Md.

Aug. 16-17: Federal Agency Forum, Dallas, Texas.

Aug. 23-24: Federal Agency Forum, Denver, Colo.

Sept. 20-21: Debt Collection 101 Workshop, Chicago, Ill.

Sept. 22: Treasury Report on Receivables (TROR) Workshop, Chicago, Ill.

